



STARTing Line



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News about START, Louisiana's tax-advantaged 529 college savings program

START to offer equity investments

Beginning in the fourth quarter of 2003, the Student Tuition Assistance and Revenue Trust (START) 529 college savings plan will offer equity investments in addition to fixed income securities as a way for account owners to further diversify their portfolios.

Any person or organization saving money for a child's higher education will now have the option to invest a portion or all of a START account in equities or continue with a fixed-rate savings plan. The state treasury will continue to manage fixed income investments for START, and The Vanguard Group, Inc. will manage accounts invested partially or completely in equities.

"The investment options that Vanguard will offer, complemented by their reputation and low management fees, should make START the savings program of choice for every resident who has a child to educate," said F. Travis Lavigne Jr., Chairman of the Louisiana Tuition Trust Authority (LATA), which administers the START Program. "We are pleased that Vanguard has

joined our team and will help us make Louisiana's college savings plan the best in the nation."

Both the fixed-rate and variable-rate plans provide owners with state-matched funds, known as Earnings Enhancements. The state funds will continue to be awarded based on the account owner's annual federal

variable-return equity investment option for their deposits, have the opportunity to gain a higher market yield by accepting more risk in a stock market portfolio. Returns on variable-return equity investments are not guaranteed while the redemption value of fixed-return investments is guaranteed by the state.



(left to right) State Treasurer John Kennedy, LOSFA Executive Director Jack Guinn and Vanguard Group Principal Brent Hillhouse sign the agreement creating equity investment options for START Saving Program account owners.

"Diversification of investments can be critical, especially when you're saving for something as important as a child's future," State Treasurer John Kennedy said. "Providing a variety of investment options, ranging from fixed income to equities, is a way the state can help parents and other individuals diversify their START accounts."

New and existing START account owners will have the opportunity to select either fixed income investments, equity investments or a combination of both.

adjusted gross income, with rates ranging from 2 percent to as high as 14 percent.

Fixed-rate investments have traditionally yielded 5.75 percent to 6.38 percent on deposits. Account owners who choose the newly created

The four available options are: Option 1—Age-Based Investment, Option 2—Total Fixed-Return Investment, Option 3—Total Equities Investment and Option 4—Diversified Investment (see Investment Options on page 3).

continued on page 3

2003 Legislature tweaks START



Governor Foster has signed into law Act 221 (Senate Bill 471), authored by Sen. Fred Hoyt and recently passed during the 2003 Session of

the Louisiana Legislature, which makes changes to the Student Tuition Assistance and Revenue Trust (START) Saving Program.

Act 221 provides four new provisions for the administration of and participation in the START program. The act adds a new category of account owner to provide a higher state match for irrevocable donations made by philanthropists on behalf of needy students, provides that an account must be open for 12 or more months in order to earn interest, determines that accounts established by juridical persons may not be refunded but a new beneficiary may be designated and provides for the presumption of abandoned property if unclaimed during a set amount of time.

Philanthropic Accounts

Philanthropists in the form of any person or legal entity may establish an education savings account for a beneficiary if, at the time of the initiation of the agreement a) the beneficiary is a resident of the state; b) the federal adjusted income of the beneficiary's family is less than \$30,000 or the beneficiary is eligible for a free lunch under the Richard B. Russell National School Act; c) the beneficiary is not a member of the account owner's family nor a member of the family of any member or employee of the Louisiana Tuition Trust Authority (LATTA) and the Louisiana Office of Student

Financial Assistance (LOSFA); and d) the beneficiary demonstrates superior early academic preparation in the third grade by achieving a score in the top two quartiles on the Iowa Test of Basic Skills, Stanford 9 Test or TerraNova Test.

Deposits to the account are an irrevocable donation by the owner. The Earnings Enhancement rate for such accounts will be determined by the adjusted gross income reported by the family of the beneficiary on their federal tax return of the taxable year immediately preceding the year in which the beneficiary is being considered for an earnings enhancement.

Account Closure

If a START account is terminated that has been open for less than 12 months, the amount of the refund to which the person designated in the account owner's agreement is entitled shall be the actual amount of the deposits.

Account Refunds

Monies in accounts opened by juridical persons or philanthropists may not be refunded; however, either the account owner or LATTA, if the account owner has authorized LATTA to designate the beneficiary, may designate a new beneficiary a) upon the death of the beneficiary; b) if the beneficiary has decided not to attend an institution of higher education; or c) upon the beneficiary's completion of the requirements for a degree, diploma or other affirmation of program completion at a postsecondary institution.

Abandonment of Account

START accounts will be presumed abandoned if unclaimed by the

owner during any five-year period subsequent to the beneficiary's 35th birthday. The account will be considered unclaimed if during this period of time the owner has not communicated, in writing or by other means, with the START office concerning the account in which the funds are held, and has not otherwise indicated an interest in the funds, and if the beneficiary of the account has not requested a disbursement of any of the funds for qualified higher education expenses.

START notes

- As of the end of the state fiscal year, June 30, 2003, START accounts totaled 9,170 and assets amounted to \$27,802,406.83, according to START Division Director Carol Fulco.
- Fulco said net contributions to accounts now total \$26,887,374.18.
- Effective August 1, 2003, the new Maximum Allowable Account Balance (MAAB) will be \$197,600.
- START now offers direct access to its Web site at www.startsaving.la.gov.
- For more information about the START program, please call toll-free (800) 259-5626, Ext. 1048.

START unleashes media blitz

B

aton Rouge-based advertising agency XFORCE has joined forces with the Student Tuition Assistance and Revenue Trust (START) Saving Program to launch an intensive

media campaign designed to raise awareness regarding Louisiana's 529 college savings plan.

The statewide campaign will include ads placed in newspapers, on billboards and radio and television.

The collaboration between the state and XFORCE will continue until June 2004, with an annual renewal option available through June 2006.

XFORCE was formed in the mid-1990s with the merger of former advertising companies X Design and Ad Force.



START advertising images designed by XFORCE for placement in newspapers and other print media



New logo created by XFORCE for START Saving Program



Outdoor image designed by XFORCE publicizing START for placement on billboards throughout the state

START Investment Options *

Option 1 - Age-Based Investment

Vanguard LifeStrategy Moderate Growth Portfolio
Vanguard LifeStrategy Conservative Growth Portfolio
Vanguard LifeStrategy Income Portfolio
Louisiana Fixed-Return Portfolio

Option 2 - Total Fixed-Return Investment

100 percent Louisiana Fixed-Return Portfolio

Option 3 - Total Equities Investment

100 percent Vanguard Total Stock Market Index Portfolio

Option 4 - Diversified Investment

50 percent Louisiana Fixed Return Portfolio
50 percent Vanguard Total Stock Market Index Portfolio

* More than one option may be selected and deposits pro-rated between the options.

Investment options

continued from page 1

Vanguard and its predecessor company has provided investment management services for nearly 75 years and the firm manages approximately \$620 billion in assets. In addition to Louisiana's START Program, the firm handles \$1.5 billion in assets for five other state college savings plans.

The START Saving Program, administered by the Louisiana office of Student Financial Assistance (LOSFA) on behalf of the LATTa, was created in 1995 and first funded in 1997. Louisiana's START Saving Program is a Qualified Tuition program under Section 529 of the Internal Revenue Code.

For more information, contact START toll-free at (800) 259- 5626, Ext. 0523.

NOTICE TO ACCOUNT OWNERS:

START account numbers are the Social Security Numbers of the account owner followed by a two-digit number assigned to the beneficiary. This account number — not the beneficiary's Social Security Number — must be recorded on all payments and correspondence concerning the account.

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